

## Rural Poverty Rate Declines, While Family Income Grows

*The poverty rate for rural persons declined from 1997 to 1998, and rural median family income rose in 1998. The family income of persons in poor families declined considerably, while it grew or changed little for persons in the higher income groups. A sizable share of the rural poor families had at least one worker. Poor rural workers often worked part-time, tended to live in female-headed families, and seldom had more than a high school education. Rural working poor families relied more on benefits from assistance programs and less on family earnings income than working nonpoor families.*

In 1998, the rural poverty rate was 14.3 percent, down 1.5 percentage points from the 1997 level. The rural poverty rate exceeded the urban poverty rate by 2 percentage points (see box, "How Is Poverty Determined?"). In all, 7,480,000 rural persons lived in poverty. In addition to having a larger share of persons living below the poverty line, rural areas had a larger share of persons living close to the poverty line—11 percent of rural residents fell between 100-150 percent of the poverty line, compared with only 8 percent of urban residents. People in this income category risk falling into poverty should a family crisis or economic downturn occur. At the high end of the income distribution, only 16 percent of rural residents' incomes exceeded 500 percent of the poverty threshold, compared with 28 percent of urban dwellers (fig. 1; app. table 8).

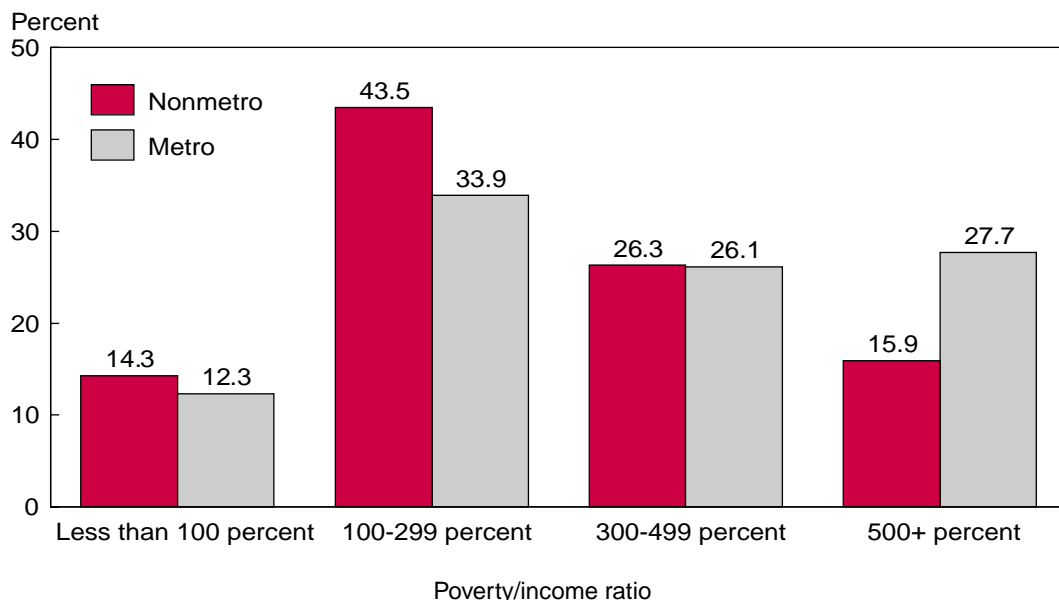
The rural and urban poor populations differ demographically. Compared with the urban poor, the rural poor are more likely to be non-Hispanic Whites and somewhat more likely to live in intact families. In addition, poverty was more prevalent in the rural than the urban South. Over half the rural poor live in the South, while the urban poor are more evenly distributed throughout the Nation.

The share of poor living in families with at least one full-time, full-year worker changed dramatically. In 1998, 29 percent of the rural poor lived in families with one or more full-time, full-year workers, a 9-percentage-point increase since 1996. The share of urban poor living in families with full-time, full-year workers also increased, climbing from 21 percent in 1996 to 25 percent in 1998, but it trailed the rural value by 4 percentage points. Welfare reform's emphasis on employment for cash assistance recipients may have contributed to increased family labor force effort among both rural and urban poor (app. table 9).

Figure 1

### Distribution of persons, by poverty/income ratio and residence, 1998

*More than half of rural residents lived in families with income less than 300 percent of the poverty level*



Source: Calculated by ERS using data from the March Supplement of the Current Population Survey, 1999.

### Poverty Rates Declined in 1998 . . .

During the 1990's, rural poverty rates remained consistently higher than urban poverty rates, but the rural/urban poverty gap narrowed slightly, dropping from 3.6 percentage points in 1990 to 2 percentage points in 1998. During the recession and early recovery years of the 1990's, the rural poverty rate rose steadily from 16.3 percent in 1990 to 17.2 percent in 1993. Along with the strengthening recovery, it dropped to 14.3 percent in 1998 (fig. 2; app. table 10).

### . . .While Rural Family Income Increased

Growth in rural family income accompanied the decline in the rural poverty rate. After adjustments for inflation, median family income in rural areas grew 4.9 percent between

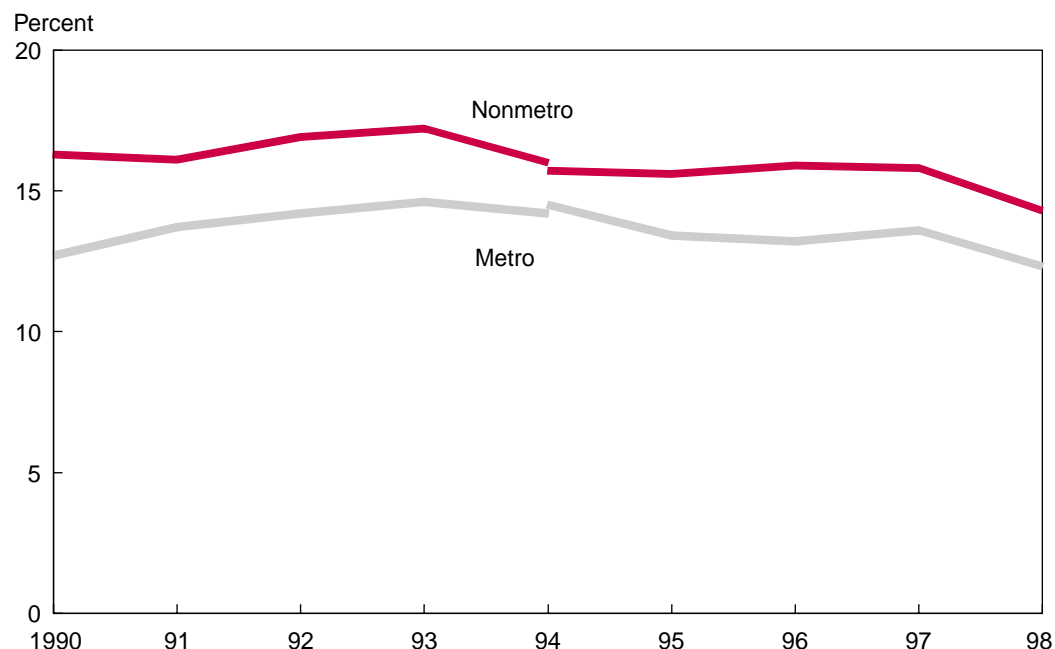
#### How Is Poverty Determined?

The poverty line is the minimum income level needed by a family or individual to meet basic needs such as food, shelter, clothing and other essential goods and services. The Office of Management and Budget (OMB) sets the official poverty lines, adjusted for family size and composition. In 1998, the poverty line for a family of four, including two children, was set at \$16,530. Cash income for each family or individual (including pretax income and cash welfare assistance, but excluding in-kind welfare assistance, such as food stamps and Medicare) is compared with the poverty line for families of similar composition. The poverty rate for an area or for a category of people is the percentage of persons living alone or in families with income less than the poverty line. The nonmetro population includes those persons whose metro/non-metro residency is not identified for purposes of confidentiality.

Figure 2

#### Poverty rates, by residence, 1990-98

*Since 1996, the nonmetro poverty rate has declined slightly but remains higher than the metro poverty rate*



Note: Change in the metro/nonmetro status of some counties caused a discontinuity in the 1994 data.

Source: Calculated by ERS using data from the March Supplement of the Current Population Survey, 1990-98.

1997 and 1998, outpacing urban growth of 2.3 percent. Rural family income growth, however, was not evenly distributed among all income categories. The median family income of families below the poverty line declined 4.6 percent between 1997 and 1998, while incomes grew for families with incomes between 100 and 299 percent of the poverty line and families with incomes between 300 and 499 percent of the poverty line. For those families with income over 500 percent of the poverty line, median income declined slightly. This finding may be due to slight upward shifts of family income resulting in a redistribution of families among the various income categories. For example, the share of families with incomes below the poverty line decreased 1.3 percentage points between 1997 and 1998, while the share of rural families with income over 500 percent of the poverty level increased by 2.2 percentage points. It is likely that families that entered the highest income category had somewhat lower incomes that depressed the median income and resulted in the slight income decline (fig. 3; fig. 4; app. table 10).

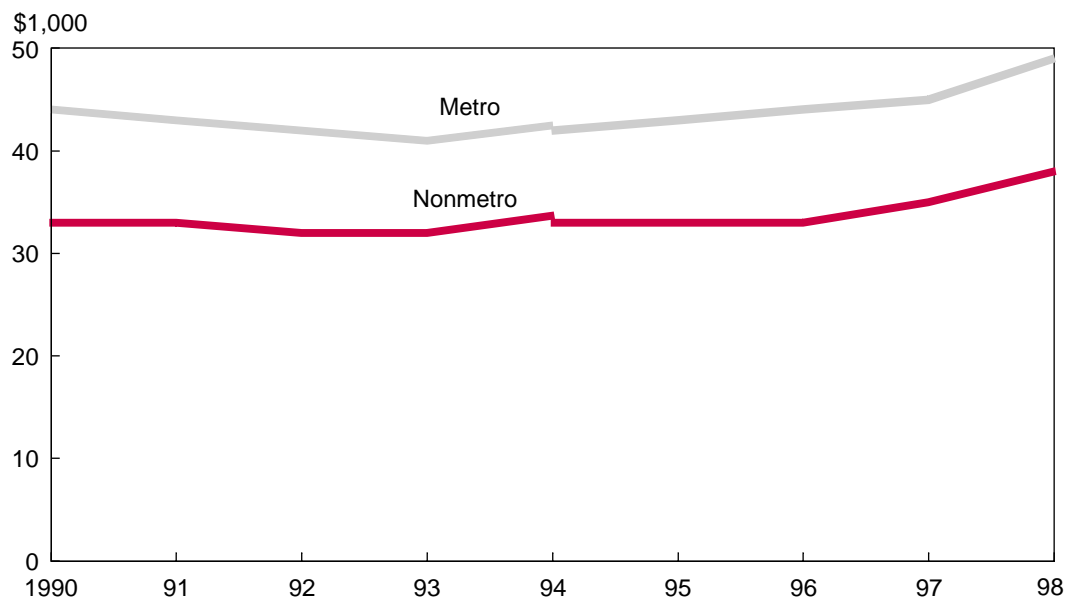
### Rural Family Poverty Follows a Familiar Pattern

The traditional patterns of rural poverty continued in 1998, with poverty rates varying substantially by race/ethnicity and other demographic characteristics (app. table 11). Even though their poverty rates declined, non-Hispanic Black, Hispanic, and non-Hispanic Native American families' chances of being poor were more than twice that of non-Hispanic White families. These minority groups also had much lower median family incomes than that of non-Hispanic White families. Non-Hispanic Asian families had the highest median family income (\$49,687) among racial/ethnic groups, even though 15 percent of Asian families were poor. The disparity between a high median family income and a poverty rate of 15 percent suggests a high level of income inequality among rural Asian families.

Figure 3

#### Median family income, by residence, 1990-98

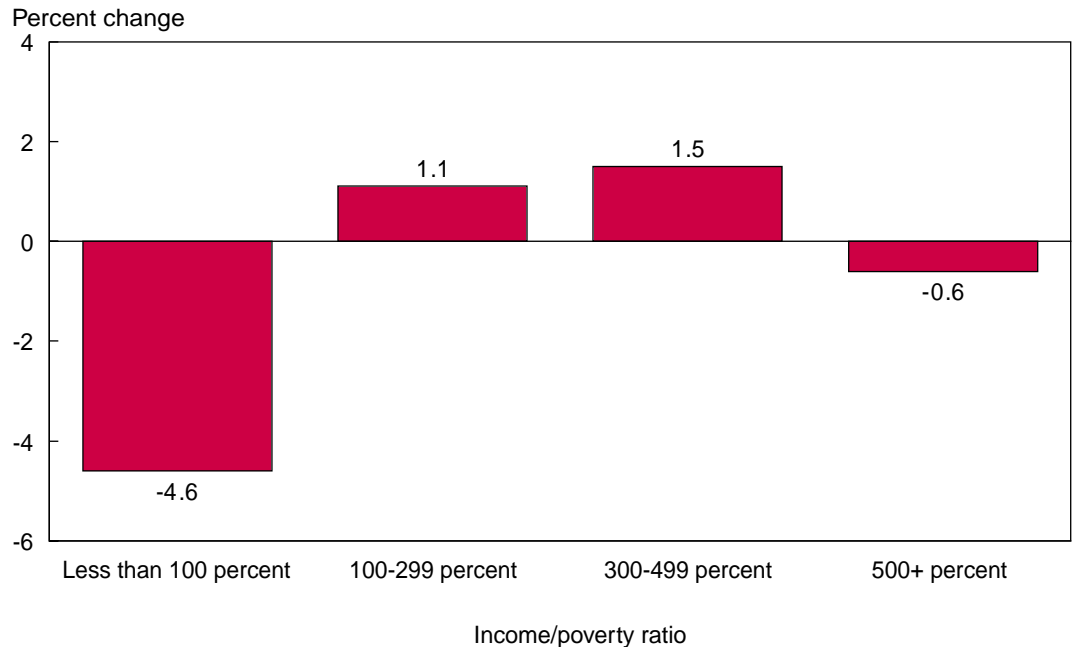
*Median family income in metro and nonmetro areas was largely stagnant in the early 1990's, but increased between 1996 and 1998*



Note: In 1998 dollars. Change in the metro/nonmetro status of some counties caused a discontinuity in the 1994 data.

Source: Calculated by ERS using data from the March Supplement of the Current Population Survey, 1990-99

Figure 4

**Changes in nonmetro median family income, by income group, 1997-98***The income of poor families dropped almost 5 percent in 1998*

Note: Family income in 1998 dollars.

Source: Calculated by ERS using data from the March Supplement of the Current Population Survey, 1998-99.

Heads of families who lacked a high school education had more than twice the likelihood of poverty and much lower median family income than family heads with a better education. Incomes grew modestly in families headed by a person who had at least a high school education, compared with families headed by a person who had not completed high school.

Family structure continues to strongly influence poverty status. Families headed by a single female had a high poverty rate and the lowest median family income of any group. Thirty-five percent of these families were poor, more than four times the share of married-couple families. Having working adults in the family also strongly influences family poverty rates and family income, with poverty rates declining and income rising as the number of workers per family increased. In general, larger families had higher poverty rates than smaller families. Two-children families were the exception, reflecting the tendency of better-off families to have two children (app. table 11).

### **Rural Working Poor Families Rely Less on Earnings, More on Income Assistance Than Working Nonpoor Families**

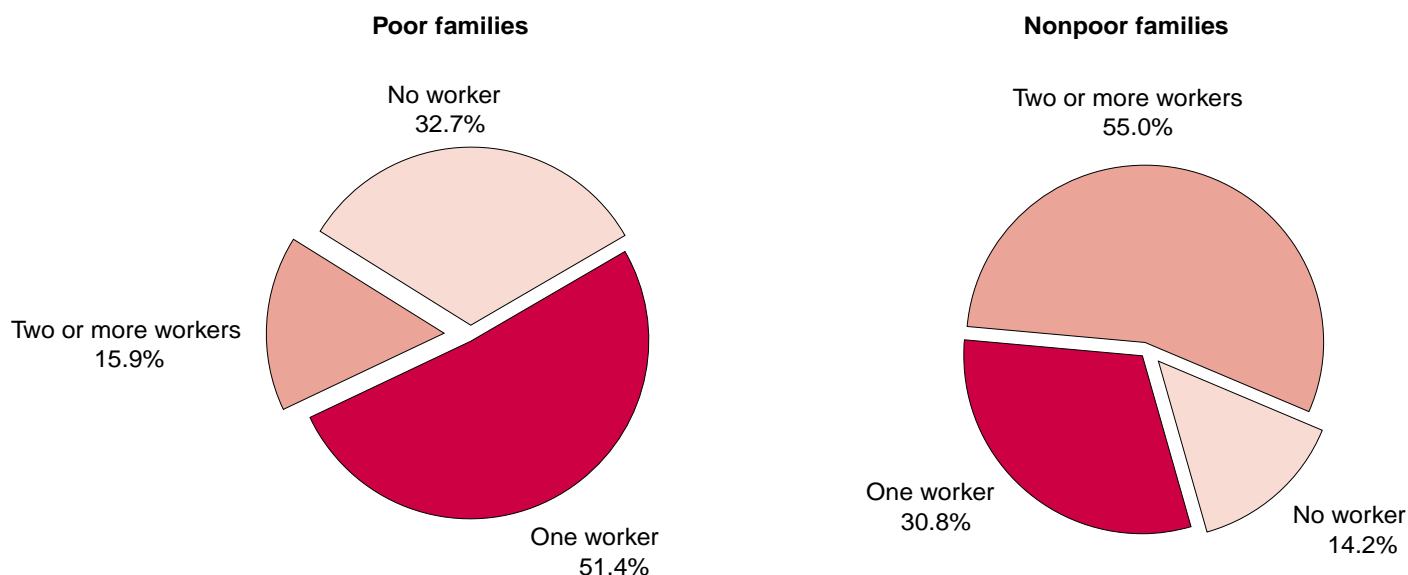
Most rural poor families contain one or more workers. More than two-thirds of rural poor families have at least one worker, while 16 percent have two or more workers (fig. 5). The structure of working poor families differs a great deal from working nonpoor families. Rural working poor families were much more likely than rural working nonpoor families to be headed by a single female (app. table 12; see "Who Is a Worker?"). Forty-six percent of working poor families were headed by a single female, compared with only 12 percent of working nonpoor families.

By definition, rural working poor families earned less than their nonpoor counterparts. These families had median family earnings of \$7,000, while working nonpoor families had median family earnings of \$40,000. Median earnings for working poor families headed by a single female (\$5,732) were even lower than for other working poor families. Working

Figure 5

### Number of workers per nonmetro family, by poverty status, 1998

*More than two-thirds of nonmetro poor families had at least one worker*



Source: Calculated by ERS using data from the March Supplement of the Current Population Survey, 1999.

### Who Is a Worker?

A worker is a person 21 years old or older who worked any time in 1998. Family heads of any age who worked at all in 1998 are also defined as workers. A poor worker is defined as above but with family income below the poverty level. A working poor family is defined as a family with one or more workers and whose family income fell below the poverty level.

poor families relied less on family earnings than working nonpoor families. For example, only 64 percent of working poor families received 80 percent or more of their family income from family earnings, while 76 percent of working nonpoor families received 80 percent or more of their family income from family earnings.

In addition to earnings income, many rural working poor families relied on benefits from assistance programs such as Temporary Assistance for Needy Families, Supplemental Security Income, and food stamps. This reliance is partially explained by the fact that working poor families are eligible for assistance to a greater extent than nonpoor families. About 39 percent of working poor families received some assistance benefits, compared with about 4 percent of working nonpoor families. Among working poor families, families headed by a single female had the highest median assistance income, at \$3,120, while other working poor families received median income assistance benefits of \$2,561 (app. table 12).

### Rural Working Poor Work Less, and Are Less Educated Than Nonpoor Workers

A tendency to work less than full-time, full-year contributes to the poverty of rural poor workers (app. table 13). Only 36 percent of poor workers worked full-time, full-year, compared with 71 percent of nonpoor workers. Poor workers living in female-headed families had particularly low levels of employment. Only 29 percent of these workers worked full-time, full-year, while 69 percent of their nonpoor counterparts worked full-time, full-year.

As expected, given that they work fewer hours, individual median annual earnings for the rural working poor (\$4,800) were much lower than for nonpoor workers (\$22,500). All rural workers relied heavily on wage and salary earnings, although the working poor were more likely than nonpoor workers to have earnings from self-employment.

In addition to working less than nonpoor workers, the rural working poor are less educated than nonpoor workers, which limits their opportunities to find higher-wage employment when they do work. Not only was the share of high school dropouts larger among the working poor (28 percent), but the share of workers in this group with a post-high school education was much smaller. In all, 28 percent of poor workers had education beyond high school, compared with 48 percent of nonpoor workers (app. table 13). *[Elizabeth M. Dagata, 202-694-5422, edagata@ers.usda.gov]*